



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 28 of 2024

THK Associates (Pvt.) Limited

...Appellant

versus

Director/ Head of Department, Adjudication Department-I, SECP, Islamabad.

...Respondent

Date of hearing:

May 22, 2025

Present:

For the Appellant:

1. Mr. S. Shomail Naqvi., CEO/MD
2. Mr. Fida Ali Mirza, Regional Head

For the Respondent:

1. Mr. Mubasher Saeed Saddozai, Executive Director, Adjudication Division, SECP.
2. Mr. Muhammad Faisal, Deputy Director, Adjudication Department-I, SECP.

ORDER

1. This order shall dispose of Appeal No. 28 of 2024 filed by THK Associates (Pvt.) Limited (the Appellant) against the Order dated December 28, 2023 (the Impugned Order) passed



Securities and Exchange Commission of Pakistan

by the Director/ Head of Department, Adjudication Department-I, SECP (the Respondent) under under Section 150(2) of the Securities Act, 2015 (the Act).

2. The brief facts of the case are that the Appellant is a licensed share registrar engaged in providing registrar and share accounting services to a multitude of listed companies in Pakistan. The proceedings before the Respondent against the Appellant were triggered pursuant to an inspection conducted by the Securities and Exchange Commission of Pakistan (the Commission) under Section 138 of the Securities Act, 2015, for the period covering July 1, 2021, to June 30, 2022. The inspection was initiated through an order dated August 4, 2022, and was supplemented by a follow-up order dated September 8, 2022. Following the inspection, the Commission issued a Letter of Findings (LoF) dated November 29, 2022. The Appellant responded to the LoF and was subsequently issued a Show Cause Notice dated February 24, 2023 (SCN) by the Respondent due to multiple violations of the Share Registrar and Balloters Regulations, 2017 (the Regulations). A hearing in the matter was held on September 28, 2023, and the Impugned Order was passed on December 28, 2023, imposing a monetary penalty of Rs. 500,000/- on the Appellant.
3. The Appellant challenged the penalties on various grounds and has raised several objections to the findings and conclusions reached by the Respondent. At the heart of the appeal lies the contention that the monetary penalty imposed was unjustified, both in terms of its quantum and the underlying basis. Furthermore, a significant grievance is also raised by the Appellant that the penalty of Rs. 500,000 is disproportionate to the nature of the alleged violations. Further, the Appellant pointed to the Commission's letter dated January 25, 2023, which provided 60 days to rectify deficiencies, but the SCN was issued before expiry of that period.
4. Moreover, the Appellant contested the finding regarding the inadequacy of its complaint redressal system. It maintains that it has a functioning mechanism in place for logging, tracking, and escalating complaints to the senior management, including those received



Securities and Exchange Commission of Pakistan

from shareholders directly. The system, albeit based on *Microsoft Excel* at the time, was sufficient to comply with the intent of Regulation 9(g) of the Regulations and and quarterly reports were regularly filed with the Pakistan Stock Exchange (PSX). Further, it submitted that a more sophisticated “Communication Management System” was already under development at the time of inspection.

5. With respect to the physical transfer of shares, the Appellant submitted that the share transfer was conducted strictly in accordance with Section 75 of the Companies Act, 2017, which prohibits rejection of valid transfers. The Appellant also highlighted the absence of any regulatory guidelines to curb or monitor multiple transfers of physical shares and pleaded that they may not be held liable for the violation of Regulation 10(1)(q) of the Regulations.
6. Allegations of non-maintenance of clients’ written agreements were refuted by the Appellant and it has been argued that records of three identified *Legacy* clients were in off-site storage and were in the process of being updated. New agreements were shared with the Respondent in reply to the SCN. It was also submitted by the Appellant that it had obtained record with respect to complaints and the missing documents were due to the inaccessibility of old archived records; hence, violations of Regulation 15(1)(f), 15(1)(i), 15(2), 15(3) of the Regulations may not be attributed to the Appellant.
7. The Respondent, in the parawise comments and during the hearing, rebutted the grounds of Appeal and submitted that the complaints from the shareholders were being treated as “queries” and not maintained in the system, thus failing the regulatory requirement of maintaining a comprehensive complaint management mechanism as required under Regulation 9(g) of the Regulations. With respect to physical share transfer, the Respondent accepted the Appellant’s explanation as “tenable” and no penalty for the alleged violation under Regulation 10(1)(q) was imposed on the Appellant. The Respondent argued that the Appellant failed to produce written agreements with its three clients during inspection on



Securities and Exchange Commission of Pakistan

account that the said agreements were made part of the archives, is not a valid justification, especially since the issue had been flagged in prior orders. Therefore, the Appellant was non-compliant with Regulation 15(1)(i) of the Regulations. Similarly, the Respondent maintained that the failure to produce correspondence records with complainants during inspection was a non-compliance and remained unresolved. The Appellant failed to maintain a complaints record, hence, violated the requirements of Regulation 15(1)(f), 15(2) and 15(3) of the Regulations. It was argued by the Respondent that the penalty was in line with the seriousness of the deficiencies and the repeated nature of compliance lapses despite earlier regulatory warnings.

8. The Appellate Bench (the Bench) has heard the parties and perused the record. Having heard both parties and perused the record, the Bench finds that;

i. On Complaint Redressal System

The record shows that the Appellant had an improvised complaint tracking mechanism relying on *Microsoft Excel* spreadsheets, which did not integrate direct shareholder complaints. While an effort was underway to adopt a new system, the mechanism at the time of inspection did not meet the standards required under Regulation 9(g). Thus, the contravention is substantiated.

ii. On Physical Share Transfer

The Bench concurs with the SECP's own conclusion that no actionable violation under Regulation 10(1)(q) is established in this case. The lack of regulatory guidance on thresholds for volume or frequency of physical transfers remains a systemic gap and not a compliance failure by the Appellant.



Securities and Exchange Commission of Pakistan

iii. On Maintenance of Clients' Agreements

Though the company eventually produced updated agreements, the inability to provide existing contracts at the time of inspection constitutes non-compliance. Regulatory inspections are time-sensitive and depend upon real-time access to documentation, which the Appellant failed to ensure, therefore, violation of Regulation 15(1)(i) of the Regulations is established.

iv. On Record of Correspondence

The Appellant's submission that the complaints' related record existed but was not accessible at the time of inspection is not sufficient to absolve it of the responsibility to maintain and produce records in compliance with Regulation 15(1)(f), (2), and (3).

v. On Quantum of Penalty

The Bench acknowledges that the violations, while legally valid, were not egregious. The key rationale for reduction of penalty lies in the following:

- The SECP's own letter dated January 25, 2023 had afforded 60 days for rectification; however, the SCN was issued prior to the expiry of this period.
- The Respondent failed to sufficiently explain this procedural anomaly.
- The Appellant was cooperative throughout the inspection process and demonstrated ongoing corrective measures.

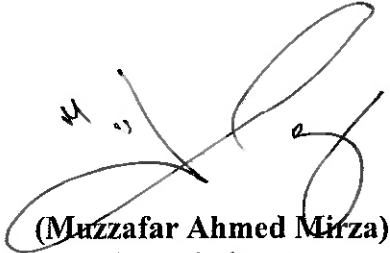
9. In view of the foregoing the Bench upholds the findings of violations under Regulations 9(g), 15(1)(f), 15(1)(i), 15(2) and 15(3) of the Regulations and the conclusion of no violation under Regulation 10(1)(q) of the Regulations is affirmed. With respect to the quantum of penalty, the Bench believes that it is disproportionate to the gravity of the established violations. Accordingly, in exercise of its powers under Section 33 of the SECP Act, 1997



Securities and Exchange Commission of Pakistan

and the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003, we hereby modify the Impugned Order, to the extent that the penalty is reduced from Rs. 500,000 (Five Hundred Thousand Rupees) to Rs. 100,000/- (One Hundred Thousand Rupees). Furthermore, the Appellant is directed to deposit the reduced penalty amount of Rs. 100,000/- in the designated SECP's account within 30 days of this Order and provide proof of deposit to the Respondent.

10. In the above terms, the appeal is disposed of without any order as to costs.


(Muzzafar Ahmed Mirza)
Commissioner


(Zeeshan Rehman Khattak)
Commissioner

Announced on:

10 SEP 2025